



In response to requests, the following material has been prepared for the use of committeemen and discussion leaders in answering questions regarding the cotton situation, the program, and proposed alternative plans:

QUESTIONS AND ANSWERS
FOR COTTON FARMERS

I. WHAT KIND OF LEGISLATION HAS BEEN ENACTED TO HELP FARMERS CARRY ON EFFECTIVE PROGRAMS FOR AGRICULTURE?

Since 1932, through united effort, farmers have made rapid strides and secured enactment of important major laws affecting agriculture. With the assistance of a sympathetic administration farmers are receiving some of the help that industry, business, and labor have received for years under tariff laws, corporation laws, franchise laws, laws affecting transportation and commerce, and laws affecting labor - to mention only a few of them.

Three major agricultural laws have been enacted by the National Congress during the past six years. They are the Agricultural Adjustment Act of 1933, part of which was declared unconstitutional by the Supreme Court, the Soil Conservation and Domestic Allotment Act of 1936, and the Agricultural Adjustment Act of 1938. In addition to these three major laws of national scope there has been additional and supplementary national agricultural legislation, including laws dealing with soil conservation, tenancy, and production adjustment.

Today, farmers have the most comprehensive legislation they have ever had.

II. WHAT ARE THE MAIN PROVISIONS OF THE PRESENT FARM LEGISLATION?

Some of the features of existing agricultural legislation are as follows:

(1) Under present legislation farmers can, if they so desire, have voluntary or compulsory programs for certain crops. In years when supplies are normal and when surpluses are not burdensome they may, if they wish, participate in voluntary adjustment programs. On the other hand, when supplies become excessive they can vote in referenda for marketing quotas and achieve more effective control.

(2) Under present legislation farmers can have effective soil conservation and soil building programs. Payments are provided to compensate farmers for sacrifices made in adjusting acreage and production and to pay a part of the out of pocket cost incurred in maintaining and improving their land.

(3) The present legislation provides for surplus removal programs and marketing agreements for certain commodities.

(4) The Agricultural Adjustment Act of 1938 includes provision for crop insurance for wheat.

(5) This Act also provides for sound loan programs to enable farmers to hold commodities off the market when supplies get out of hand until supplies are more normal again and prices have improved.

(6) Under Section 32 of the Agricultural Adjustment Act of 1933, as Amended, provision may be made for subsidies on farm crops. Examples are the 1937 cotton price adjustment payments and the program recently announced for a limited export subsidy for wheat.

(7) Under authority of the Act, the Agricultural Adjustment Administration is carrying out experiments designed to develop new uses for cotton. Among the projects are the use of cotton as a covering for cotton bales; as bags for the packing of walnuts and other farm products; as a lining and reinforcing material for ditches and canals; as a covering for highway cuts and fills; and for a number of other uses.

(8) In order to develop new uses and new markets for farm commodities, the Agricultural Adjustment Act of 1938 authorizes the establishment of four regional research laboratories to "conduct researches into and develop new scientific, chemical, and technical uses and new and extended markets and outlets for farm commodities and products and byproducts thereof". One of these laboratories will be located in a Southern State.

III. WHAT ARE SOME OF THE CHIEF ECONOMIC PROBLEMS OF SOUTHERN FARMERS WHICH MAKE A FARM PROGRAM NECESSARY?

Among them are (1) low income; (2) a dense and shifting farm population with a comparatively small amount of cropland available for each family; (3) soils which are easily depleted; (4) restricted market outlets for cash crops due in the main to the tariff and other world trade barriers and to the fact that we have in recent years become a creditor nation; (5) inadequate supplies of food and feed; and (6) the fact that we buy in the tariff protected American market but must sell our cotton on the lower world market.

Nine Southern States have 33 percent of the farm population of the United States, but these people get only 25 percent of the farm income.

The South has the most dense farm population of any important agricultural area. In seven States in the Southeast there are only 6 acres of cropland per person on farms, and in the nine States of the Southern Region only 9.2 acres of cropland for each farm person. In the remainder of the country there are 15.0 acres of cropland for each person on a farm. With markets limited and income lower than the rest of the country, the South must support more farm people on fewer acres.

Having so little cropland per person and so little income, the South has had to devote a big part of its land to soil-depleting cash crops. This circumstance, with a moist climate, relatively heavy rainfall, and the general necessity and practice of clean cultivation, makes soil conservation more difficult in the South than in most other areas of the nation and also has limited the land available for growing food and feed crops.

IV. HOW HAS THE TARIFF HANDICAPPED FARMERS WHO PRODUCE COTTON, FLUE-CURED TOBACCO, WHEAT, AND OTHER CROPS FOR SALE IN FOREIGN COUNTRIES?

One of the main contributing factors to the low income of Southern farmers has been the tariff. The tariff is a tax on foreign goods shipped into the United States. It enables American manufacturers to sell their products in this country to cotton farmers and other consumers at prices higher than world prices. But when the cotton farmers takes a bale of cotton to market he sells it in competition with the world. He gets the same price, after freight and similar factors are taken into consideration, as that paid for cotton grown by cheap labor in foreign lands.

There is another important reason why the tariff has been so hard on the South. That is the South's dependence upon world trade for its economic existence.

Only about six to seven million bales of our cotton are used each year in the United States. If we are to sell more, it must be sold to foreign mills. If we sell to other countries, we must buy their goods. Before 1930, the tariff restricted our foreign trade but the Smoot-Hawley Tariff Act that year greatly increased these restrictions. By passage of the Smoot-Hawley Act, we limited sales of foreign goods to consumers in the United States. Since foreign buyers could not sell us goods, they could not obtain dollars for use in buying our cotton. About the time the 1930 tariff act was passed, another thing happened which made a decline in our exports certain. After the World War, we lent huge sums of money to foreign borrowers and this money was used to buy our cotton and other exports. Foreign indebtedness to the United States, exclusive of war debts, increased from \$4,500,000,000 in 1920 to \$9,600,000,000 in 1930. Then the United States quit lending money abroad. Two sources of American dollars to foreign buyers were thus curtailed. Foreign buyers took less of our cotton and other commodities. Our total exports shrank from \$5,157,000,000 in 1929 to \$1,647,000,000 in 1933.

V. WHY HAVE UNITED STATES FARM EXPORTS DECREASED SINCE 1930?

American agricultural exports have decreased since 1930 for several reasons:

(1) American tariff policies as set forth in the Smoot-Hawley Tariff Act of 1930 have made it difficult for foreign countries to sell their products in this country and thus obtain money or credit with which to buy American goods, either agricultural or industrial.

(2) Foreign countries have sought to become agriculturally self-sufficient because of their fears of war, and therefore have erected trade barriers against the importation of American products. These barriers have taken the form of tariffs, embargoes, exchange control, and other measures.

(3) The United States is now a creditor, no longer a debtor nation, and foreign countries can pay their debts to this country only in the form of goods and services and it is only the goods and services of other countries that we will accept in addition to those needed to pay off debts that can be used to pay for our exports.

Because of the American and foreign restrictions on trade and the fact that the United States is now a creditor nation, foreign countries can both pay the interest and debts owed us and buy American products only by (1) sending their own products to this country, selling them, and using the dollars received to buy American goods; (2) by sending gold to the United States, which already has more than one-half of all the gold in the world.

VI. HOW ARE THE AAA PROGRAMS DESIGNED TO ASSIST IN SOLVING THE COTTON FARMERS' PROBLEMS?

(1) By adjusting the surpluses of cotton to reasonable proportions and thereby increasing the cotton farmer's income.

(2) By conserving and improving the soil; payments are being made for terracing, planting winter legumes, establishing permanent pastures, and carrying out other soil-building practices.

(3) By providing loans to prevent disastrously low prices.

(4) By providing marketing quotas to be used as they are being used in 1938 for cotton and tobacco to prevent surpluses from wrecking farm prices and farm programs.

(5) By payments designed to offset in part some of the tariff and other handicaps to farmers.

(6) By increasing the use of food and feed crops and thereby increasing the living standards of the cotton farmers.

(7) By finding new uses for cotton.

VII. HAVE THE AAA PROGRAMS HELPED THE COTTON FARMER?

The cotton farmer has not attained parity price or income for cotton but his position has improved since 1932. The farm value of cotton lint and seed for 1932 was \$483,887,000; since then the annual average, including AAA payments, has been nearly a billion dollars. The income of farmers who grow tobacco, wheat, and other crops has also been increased. Furthermore, there has been less cash output, more food and feed produced for living on the farm, and a general improvement in the soils and farms as a whole.

In the long run, under the new Act, supplies of American cotton should be balanced with demand. Under the old AAA the burdensome carry-over of American cotton was reduced from 13,263,000 bales on August 1, 1932 to 6,235,000 bales on August 1, 1937. While the Supreme Court decision of January 6, 1936 interfered with the efforts at production adjustment, and we had unusually good weather in 1937 to increase the supply sharply, the progress made in 1938 indicates that the surplus can be reduced if the program can operate without interference for a few years.

Meanwhile, the Administration is trying to revive trade. Under trade agreements with foreign countries being sponsored by the Department of State, there is added to our national program for agriculture an effort to adjust trade barriers and increase foreign trade.

VIII. DID PRODUCTION ADJUSTMENT UNDER AAA CAUSE A REDUCTION IN OUR EXPORTS OF FARM CROPS?

There is very little, if any, evidence to show that production control has caused any reduction of consequence in our exports of cotton. Cotton loans at levels above the world price may have resulted in some curtailment in our exports of cotton.

IX. WHAT ARE THE DIFFERENCES BETWEEN THE PRESENT AAA PROGRAM AND THE VARIOUS PLANS PROPOSED AS A SUBSTITUTE?

There is one essential difference. All of the proposed substitutes have one central feature in common. That is, unlimited production. The substitute plans now being advocated would open the way for the men, women, and children of the South to produce cotton in large quantities each year. All measures to balance the supply with the available profitable market and to hold the reserve supply or carry-over to a reasonably safe level would be abandoned.

The so-called domestic allotment plan would provide a subsidy for cotton which would, in effect, be an export subsidy. The farmer, through a payment out of the Treasury, or some other device, would get a larger return on that portion of his cotton used in this country than he would on the cotton sold abroad. The idea would be to sell a large volume of cotton to foreigners at cheap prices and to make up the price to our growers by the subsidy payments. In operation, such a plan would be very similar to an outright export subsidy.

X. DOES THE PRESENT PROGRAM PROVIDE A SUBSIDY FOR COTTON?

Yes. The cotton price adjustment payments now being made are similar in form to the subsidy contemplated under the domestic allotment plan. The price adjustment payments compensate farmers to some extent for the drastic effect of the tariff in reducing exports and in raising the prices of things farmers buy. Similar payments will be made with respect to cotton and other major crops in 1939. Supporters of the present program contend that it embodies the best features of the domestic allotment plan.

XI. WHAT DO ADVOCATES OF THE SO-CALLED DOMESTIC ALLOTMENT PLAN CLAIM IT WOULD DO FOR COTTON FARMERS?

Advocates of the so-called domestic allotment plan state that it would (1) assure "parity on the domestic consumption", that is parity price on that portion of the crop consumed in the United States and (2) regain our foreign markets.

XII. IS THE PRESENT PROGRAM GIVING COTTON FARMERS "PARITY ON DOMESTIC CONSUMPTION"?

Yes. If domestic consumption under the present program continues this year at the same pace as during the year ending July 31, 1938, farmers will be getting more than parity on the domestically consumed part of their 1938 crop. We consumed at home about 5,615,000 bales during the year just ended. Soil conservation payments and price adjustment payments in connection with the 1938 crop will total more than \$260,000,000, which amounts to about 9 cents a pound on 5,615,000 bales. If the average price for the 1938 crop is between 8 and 9 cents the price received for cotton plus the payments would be about 17 cents per pound for the domestically consumed part of the crop. Parity is now between 15 and 16 cents.

The following table shows that since 1933 cotton farmers have approximated "parity on domestic consumption":

Payments per pound of cotton consumed domestically, actual and parity prices, 1933-34 to 1938-39

Item	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	6 year average
Domestically consumed cotton ^{1/} (000 bales)	5,553	5,241	6,221	7,768	5,615	5,615	6,002
Cotton payments ^{2/} (\$000,000)	179.7	115.2	160.2	82.0	63.7	266.0	145.4
Payments divided by domestically consumed cotton (cents per lb.)	6.5	4.4	5.2	2.1	2.3	9.5	4.8
Actual price (cents per lb.)	10.2	12.4	11.1	12.3	8.4	8.4	10.5
Total: actual price plus price equivalent from payments (cents per lb.)	16.7	16.8	16.3	14.4	10.7	17.9	15.3
Parity price ^{5/} (cents per lb.)	15.5	16.2	15.7	16.6	16.2	16.2	16.1
Difference in parity and total price equivalent (cents per lb.)	+1.2	+ .6	+ .6	- 2.2	- 5.5	+ 1.7	-.8

^{1/} Assuming domestic consumption actual and parity prices to equal that of 1937-38.

^{2/} 1933-35 payments as of December 31, 1937; 1936 and 1937 payments estimated September 1938.
Includes 1937 CAP payments of \$127,000,000 and \$144,600,000 ACP payments less administrative expense.

^{3/} Weighted average.

^{4/} Based on index of prices paid by farmers, crop year basis, including interest and taxes.

^{5/}

XIII. WITH THE SO-CALLED DOMESTIC ALLOTMENT PLAN IN EFFECT ON THE 1938 CROP HOW MUCH WOULD BE REQUIRED TO GIVE FARMERS "PARITY ON DOMESTIC CONSUMPTION"?

With unlimited production in 1938 the market price of cotton would be lower and therefore considerably more than \$260,000,000 or \$270,000,000 in payments, the amount being paid in 1938, would be needed to give farmers parity return on the domestically consumed cotton. If the price under unlimited production were 3.5 cents lower than at present, a very conservative estimate, approximately \$100,000,000 more would be required to give "parity on domestic consumption" of 5,615,000 bales.

With an unlimited production plan in operation, there is no assurance that farmers, year in and year out, would get a parity price on their domestic allotment. With increased production, the market price of cotton would go down and the payments would have to go up if farmers received parity. There is no assurance that farmers would get more for payments under the domestic allotment plan than they are getting now.

XIV. WOULD THERE BE GOVERNMENT LOANS UNDER THE SO-CALLED DOMESTIC ALLOTMENT PLAN?

Loans would defeat the objective of the so-called domestic allotment plan which is to maintain and increase foreign markets regardless of price.

XV. WOULD THE 7,000,000 BALES OF COTTON NOW HELD BY THE GOVERNMENT BE DUMPED ON THE MARKET UNDER THE SO-CALLED DOMESTIC ALLOTMENT PLAN?

It is almost certain that this would be done, since it is the object of the domestic allotment plan to provide a huge supply of American cotton to sell in foreign markets at whatever price it will bring and this theory is directly opposed to the idea of loans to prevent prices from descending to very low levels.

XVI. IS IT CERTAIN THAT, THROUGH BIG CROPS AND LOW PRICES, WE CAN DRIVE FOREIGNERS OUT OF THE COTTON MARKET, THAT IS, "REGAIN OUR FOREIGN MARKET", AND CAUSE FOREIGNERS TO REDUCE THEIR ACREAGE OF COTTON?

Not if we judge the future by the past. Increase in foreign cotton is not a new thing. From 1870 to 1920 the price of cotton ranged from 6 cents to 40 cents. For the same period the increase in production of foreign cotton was about 44 percent for each 10-year period. The war reduced foreign production for a short while. After the war the increase started again and has continued.

Since 1870, we have had 19 record American cotton crops. In all except 4 of these instances, foreign cotton acreage was actually increased instead of being cut following the record crop. This means that the chances are 15 to 4 -- nearly 4 to 1 -- in favor of the conclusion that a big volume of American cotton is no assurance of a decrease in foreign cotton acreage.

In 1925, foreign cotton acreage was 43 million; in 1937, it was 58 million. Ninety percent of this increase occurred in four countries--Brazil, China, Russia, and Uganda. Causes of the increase in these four countries have little relation to the cotton policy in the United States.

The increase from 1925 to 1937 in Brazil was about 5 million acres. During most of this time the price of Brazilian cotton has been high in comparison with the price of coffee. In the 1925-1929 period the price of a pound of cotton in Sao Paulo, Brazil, averaged only about 10 percent more than the price of a pound of coffee. The margin in favor of cotton expanded greatly after 1929. As coffee became cheaper the spread between cotton and coffee widened. In 1931, the spread in favor of cotton was 47 percent; and in 1937 80 percent. In addition, by devaluing its money, Brazil has kept the price of cotton to Brazilian producers at or above pre-depression price, while the price of cotton to farmers in the United States has ranged from one-third to two-thirds of pre-depression prices. The price of cotton in New Orleans in 1936 was more than 30 percent below the 1928 price. Through favorable exchange rates and other devices, the price of cotton in Brazil was 8 percent higher in 1936 than in 1928.

For these reasons, farmers in Brazil have shifted from coffee to cotton just as farmers in Oklahoma often shift from wheat to cotton or from cotton to wheat or the farmers in southeast Alabama and Georgia shift from peanuts to cotton or cotton to peanuts or peanuts for hogs to peanuts for market. With the price of coffee low and the advantage in favor of cotton, a big cut in coffee acreage and a big gain in cotton acreage in Brazil was inevitable. It would have taken place regardless of the cotton policy of the United States.

It is generally admitted that the increase in Russian cotton has little if any relation to our policy. Russia wants to and will produce for her own needs. Regardless of what we do, Russia will determine its own cotton acreage for some time to come.

China is governed slightly more by our own course than Russia, but our policies have very little influence on Chinese cotton acreage. Most Chinese cotton is used at home and China's expansion traces back to the rise of the textile industry in China and Japan.

The increase in Uganda is the result of a British colonial effort begun soon after the turn of the century, and cotton production in that East African country has been encouraged regardless of price. What we do in America has practically no effect on Uganda's course.

The increase in foreign cotton acreage and production on high tariff policy and the cut in our exports are related. Consumption of American cotton in Germany has been reduced from a normal of about 1,000,000 bales to about 300,000 bales. This cut in consumption of cotton in German mills accounts for approximately one-third of the total cut in foreign consumption of American cotton.

We don't buy much from Germany and, in consequence, Germany doesn't buy our cotton. But Germany has increased her purchases of cotton from Brazil. She did this for the simple reason that she could not obtain dollar exchange to buy our cotton. She could work out a barter arrangement with Brazil, one of the reasons being that Brazil found it much better to ship cotton out of the country to buy industrial products than to try to buy these products with depreciated currency.

The loss of exports to France and Italy and other countries also is due in the main to tariff barriers -- to our refusal to admit foreign products. They cannot get dollar exchange for use in buying our cotton.

Thus we see by examination of the essential facts that the chief argument for the so-called domestic allotment plan -- that unlimited production would recapture our world markets -- is not supported by the facts.

XVII. IF THE SO-CALLED DOMESTIC ALLOTMENT PLAN HAD BEEN IN OPERATION IN 1938, WHAT WOULD THE COTTON SITUATION BE?

Instead of about 27 million acres in cotton we could easily have 38 to 40 million acres. The average acreage in 1928-1932 was about 40,000,000 acres. Instead of expecting about an 11 or 12-million bale crop we would, in all probability, have a crop of about 16 million bales. The big stock of cotton held by the Government - about 7,000,000 bales, probably would have been dumped on the market.

It is estimated that the increased supply as a result of the bigger crop, allowing for increased use, together with, the release of Government holdings and abandonment of the loan and adjustment program would likely cause a price reduction of 3.5 to 4 cents.

Thus, if a 12-million bale crop in 1938-39 would sell for 8.25 cents, a 16-million bale crop probably would sell for 3.5 to 4 cents less. At 8.25 cents, 12 million bales would bring nearly \$500,000,000. A 16-million bale crop would have to bring 6 cents to be worth \$480,000,000. And, as has been pointed out, if a 12-million bale crop under present conditions would bring 8.25 cents, a 16-million bale crop would be likely to bring 3.5 to 4 cents less or only about 5 cents.

To cultivate the 11-million additional acres would probably cost growers at least an additional \$100,000,000. And with the big crop our soils would be depleted more and we would have less food and feed. To sum it up, with a 16-million bale crop, a price of 5 cents, \$100,000,000 additional cost of production, greater soil depletion, less food and feed for home use, less gross income and much less net income, would, from all indication, be the result.

Furthermore, any program which substantially increases the acreage of cotton increases the labor of women and children in the fields of the South. It has been estimated that one-fourth of the labor needed to produce a sizable cotton crop is contributed by women and children, and cotton farmers well know that the proportion is greater when the acreage is increased. Conditions that put women and children in the fields in greater numbers go hand in hand with poorer living standards.

XVIII. WHAT WOULD BE THE RESULT OF EXPORTING A LARGE QUANTITY OF COTTON AT A VERY CHEAP PRICE?

A sale of our cotton at 4 cents or 5 cents per pound to foreigners would be subsidizing them at the expense of the Southern cotton growers.

It does not appear that such a program could be in the interest of producers, but might be helpful temporarily to those engaged in the cotton trade and in the transportation of cotton.

XIX. WHAT WOULD BE THE EFFECT OF A NO-CONTROL PROGRAM ON SOIL CONSERVATION AND THE PRODUCTION OF FOOD AND FEED?

There would be less land available for soil conservation and the production of food and feed under a no-control program and less incentive to conserve the soil and to grow more food and feed. The aim simply, under such a plan, would be to produce more cotton at a cheaper price to compete with foreign cotton. Along with cheap cotton, the producers would be selling their soil fertility abroad, and the result would be further depletion of Southern soil.

The present program has special provisions to encourage farmers to conserve their soil and to grow food and feed to meet their home needs.

XX. DO ALL OF THE PLANS PROPOSED AS A SUBSTITUTE FOR THE PRESENT PROGRAM INCLUDE PAYMENTS TO FARMERS?

No, not directly. There was strong support in the last Congress for price-fixing features under which the price of the domestic allotment - the cotton used in the United States - would be fixed at the cost of production, parity price, or some other level, and the remainder of the crop sold abroad for whatever price it would bring. Such a plan would not involve Government payments, as such, but in effect would be a subsidy fully as costly to domestic consumers as payments derived from processing or other taxes.

Under a price-fixing plan dealers would be required to pay farmers a fixed price. This undoubtedly would require the licensing of all dealers. It would mean, in all probability, Federal control of the entire cotton industry.

Furthermore, pegging of domestic cotton prices by law without any consideration of supply and demand would force domestic cotton consumers to increased use of substitutes for cotton and might reduce the use of cotton in the United States fully as much as the dumping of cotton abroad would expand exports. Even with present low prices competition from substitutes is increasing. Production of rayon in the United States increased from 122 million pounds in 1929 to 332 million pounds in 1937. It would be necessary to impose a high tax on fibers which compete with cotton to offset the effect of fixing the price of cotton for the domestic market at an artificially high level.

XXI. COTTON FARMERS WOULD BE PAID ON APPROXIMATELY 43 PERCENT OF THEIR PRODUCTION UNDER THE SO-CALLED DOMESTIC ALLOTMENT PLAN. HOW WOULD THIS PERCENTAGE COMPARE WITH THAT OF OTHER PRINCIPAL CROPS?

The following table gives comparisons between cotton and other crops regarding the percentage of the crop consumed domestically:

PERCENTAGE DOMESTIC CONSUMPTION AND EXPORTS ARE OF
THE PRODUCTION OF SELECTED COMMODITIES. 1/

		Domestic Production	Domestic Consumption	Percent Domestic Consumption in of Production (Percent)	Exports	Percent Export are of Pro- duction (Percent)
Cotton:						
5-year average	(Thousand bales)	12,684	5,552	43.77	7,087	55.9
10-year average	(Thousand bales)	13,759	5,684	42.76	7,540	54.8
Corn:						
5-year average	(Millions bushels)	2,534	2,325	99.6	9	4
10-year average	(Millions bushels)	2,410	2,402	99.6	20	.8
Wheat:						
5-year average	(Millions bushels)	681	686	100.7	29.4	4.3
10-year average	(Millions bushels)	773	675.5	87.4	93.8	12.1
Tobacco:						
<i>Burley:</i>						
5-year average	(Millions pounds)	316	269	85.1	12.0	3.8
10-year average	(Millions pounds)	300	274	91.3	12.6	4.2
<i>Tobacco:</i>						
<i>Flue-cured:</i>						
5-year average	(Millions pounds)	629	277	44.0	337	53.6
10-year average	(Millions pounds)	678	252	37.7	391	57.7

1/ 5-Year average = 1931-32-1935 - 36. 10-year average = 1926 - 27 -- 1935 - 36.

Note: You will note that by adding percent exported and percent consumed, you may not get 100 percent. This is brought about by either an increase or decrease in carryover at the beginning and end of the 5 and 10-year period

XXII. WHAT COULD COTTON FARMERS EXPECT FROM NO-CONTROL PLANS?

The facts point to conclusions as follows:

1. Other cotton exporting countries might adopt similar plans and this country in that case would be involved in a contest with them to see which country could give away more of its cotton to foreigners. The cotton-producing world would subsidize the cotton-consuming world. Due to the effect of the attempt to dump cotton in foreign countries on the attitude of such countries, the efforts to reduce tariffs and to lower trade restrictions would be hampered and probably would have to be abandoned. A cotton export subsidy on a huge scale would defeat the attempt to revive trade through reciprocal trade treaties.
2. Our supply of cotton, which is now much too large, probably would increase year by year until it might easily reach gigantic proportions.
3. The benefit and price adjustment payments made to producers would not compensate them for the cheap price of cotton.
4. The South's income would be lower and in consequence poverty would be increased.
5. Soil conservation efforts would be hampered and the production of food and feed for home use would be decreased.
6. If we combined price-fixing with unlimited production, handlers of farm products probably would be licensed and strictly regulated.
7. If the surpluses of cotton accumulated as is anticipated, the No-Control Programs would collapse and leave the wreckage to be cleared away before another sound program for agriculture could be developed.

XXIII. WOULD THE (PROPOSED SUBSTITUTE) PLANS BE SIMPLER IN OPERATION THAN THE PRESENT PROGRAM?

This is doubtful. The chief complications in connection with the present program arise out of the making of allotments to farmers and under the so-called domestic allotment plan it would still be

necessary to make allotments; that is, to make each farmer a domestic allotment. There is no reason to believe that it would be simpler to make a domestic allotment than to make allotments as they are now made.

The simplest thing to do would, of course, be to have no program at all.

XXIV. IS THERE ANY LEGISLATIVE PROVISION FOR FUNDS FOR PRICE
ADJUSTMENT OR PARITY PAYMENTS AFTER 1939 IN THE PRESENT
OR PROPOSED PROGRAM?

No. The present legislation makes provision for such payments but does not carry an appropriation for this purpose and if such payments are made after 1939 it may be necessary that a special source of revenue be provided.

XXV. HOW COULD A PERMANENT SOURCE OF REVENUE FOR PRICE
ADJUSTMENT OR PARITY PAYMENTS BE PROVIDED?

By a processing tax. The processing tax is needed because it is the most practical way suggested thus far for raising the money for making parity payments to farmers. The Agricultural Adjustment Act of 1938 says that if Congress provides sufficient funds, parity payments shall be made to farmers who produce cotton, corn, wheat, tobacco, or rice. The full appropriation of \$500,000,000 per year authorized for the AAA farm program is needed to pay farmers for shifting land to soil building crops and to provide assistance for adopting soil building practices.

In order to have an effective program after 1939 it may be necessary to have additional funds for payments to farmers similar to those made under the 1937 cotton price adjustment payment plan and those provided for in the Price Adjustment Act of 1938. This latter Act appropriates \$212,000,000 to enable the Secretary of Agriculture to make parity payments to producers of wheat, cotton, corn (in the commercial corn producing area), rice, and tobacco. Such parity payments will be made after compliance is checked with reference to the crops planted for harvest in 1939. It is not certain that Congress will continue to appropriate such funds out of the general Treasury, and a processing tax or some similar source of revenue is needed to assure the continuance of Parity Payments.

